

### Old Age, Disability, Death

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First law: 1973.

Current law: 1986, as amended 1989, 1993, 1995, and 1998.

Type of program: Social insurance system.

**Exchange rate:** U.S. \$1.00 equals 1,244 won.

#### Coverage

All residents aged 18-59 (effective April 1, 1999). Separate systems for public employees, private school teachers, the self-employed, and military personnel.

#### Source of Funds

**Insured person:** 4.5% of covered monthly earnings (i.e., standard monthly remuneration) (effective April 1, 1999).

Farmers, fishermen, self-employed, and the voluntary insured: 3% of monthly covered earnings.

**Employer:** 4.5% of payroll.

**Government:** Partial cost of administration and of programs for farmers and fishermen.

#### Qualifying Conditions

**Old-age pension:** Full Old-Age Pension: aged 60, with coverage of 20 or more years, and no longer engaged in gainful activity. No retirement test if aged 65 and older. (Pensionable age to be raised to age 65 by 2033.)

Reduced Old-Age Pension: Reduced benefit if aged 60 or older with coverage of 10-19 years, and no longer engaged in gainful activity. No retirement test if aged 65 and older.

Active Old-Age Pension: aged 60-64, with coverage of 10 or more years, and still engaged in remunerative activity.

Early Old-Age Pension: aged 55-59, with coverage of 10 or more years, and no longer engaged in gainful activity.

**Disability pension:** Disabled as result of disease or injury occurred during the insured period, and has paid contributions over 2/3 of the insured period, plus period as recipient of disability pension. (Cases when employee is exempted from contributing to the program while still "insured": student aged 23 or older, person rearing more than 1 child under age 3, patient hospitalized for 3 months or longer, retirees, unemployed, and others.)

**Survivor pension:** Payable if insured has paid contributions over 2/3 of the insured period up to death of insured. Eligible survivors are: widow or widower [if the latter, must be aged 60 or older, or with at least 2<sup>nd</sup> degree of disability (see disability pension below) at any age before the eligibility date]; parents and grandparents (including parents or grandparents of spouse) of insured person, aged 60 years or older, or with at least 2<sup>nd</sup> degree of disability; children and grandchildren aged under age 18, or at any age if with at least 2<sup>nd</sup> degree of disability.

Lump-sum death benefit: dependent survivor (including siblings and collateral relatives within the 4<sup>th</sup> degree, such as nephews and nieces) not otherwise eligible for survivor benefit or lump-sum refund.

Lump sum refund: Payable if insured aged 60 or older, has less than 10 years' coverage; or if the insured or formerly insured person dies without eligibility for a pension, or if insured has less than 10 years' coverage and has emigrated and lived permanently outside of Korea, and/or did not qualify as Korean national.

#### Old-Age Benefits

**Old-age pension:** Basic Pension Amount (BPA) equals 1.8 times the sum of average covered monthly earnings of all insured persons at the end of the preceding year, and the average monthly covered earnings of the insured person over entire contribution period.

Full Old-Age Pension: BPA plus 5% of monthly benefit for each insured year in excess of 20 years.

Reduced Old-Age Pension: 47.5% of BPA, plus 5% increment of BPA for every insured year in excess of 10 years of coverage.

Active Old-Age Pension: 0.5-0.9 times 47.5% of BPA, depending on age of pensioner, plus 5% increase of BPA for every insured year in excess of 10 years of coverage.

Early Old-Age Pension: 0.75 times 47.5% of BPA, plus a 5% increase of BPA for every year delayed in claiming benefits.

Additional benefit for dependents (child, parent or spouse) of recipients of full, reduced, or early old-age pension.

Lump sum refund: Employee and employer contributions paid in, plus interest.

Adjustment: Benefits adjusted for changes in consumer price index.

All pensions non-taxable.

#### Permanent Disability Benefits

**Disability pension:** Total disability, same as the old-age pension.

For partial disability, benefits reduced by up to 40% of BPA, depending on degree of incapacity to work. (Four degrees of disability, with the 4<sup>th</sup> degree as the least severe disability and 1<sup>st</sup> degree being the most severe. 1<sup>st</sup> degree, total loss of capability to work and requiring constant attendance; 2<sup>nd</sup> degree, severe loss of capability to work; 3<sup>rd</sup> and 4<sup>th</sup> degrees, some loss of capability to work.)

#### Survivor Benefits

**Survivor pension:** If insured had 20 or more contribution years, 60% of full pension of the insured; if 10 to 19 contribution years, 50%; if less than 10 contribution years, 40%.

Lump-sum refund: Employer and employee contributions paid in, plus interest.

Lump-sum death benefit: Equal to the amount of deceased insured person's lump-sum refund. Maximum: 4 times of the insured person's last monthly covered earnings, or average monthly covered earnings for the entire insured period, whichever is higher.

Funeral grant: See medical benefits for dependents under Sickness and Maternity, below.

#### Administrative Organization

National Pension Corporation, under supervision of Ministry of Health and Welfare.

### Sickness and Maternity

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First law: 1963 (Medical Insurance Law) and 1997 (National Medical Insurance Law).

Current law: 1998 (Medical Insurance Law, for resident employees in general) and 1998 (National Medical Insurance Law, for self-employed, and government and private school employees).

Type of program: Social insurance system (Medical care only).

**Coverage**

All permanent residents (including non-citizens residing in Korea for 1 or more years), except for those covered by Medical Aid program.

**Source of Funds**

**Insured person:** 1% to 4% of monthly covered earnings (average: 1.64%) by employees in general; government and private school employees: 2.61%; Self-employed: Contribution rates based on income, assets, age, and gender of insured.

**Employer:** 1% to 4% of monthly covered earnings (average: 1.64%; 1.26%, private schools).

**Government:** None for employees in general; 2.1% of covered monthly earnings for government employees, 0.84% for private school employees, and 30% of contributions for the self-employed. Minimum earnings for contribution and benefits purposes: 75,000 won a month for employees; 5,000,000 won in taxable annual income for self-employed. No maximum.

**Qualifying Conditions**

**Medical benefits:** No minimum qualifying period or contributions to program.

**Workers' Medical Benefits**

**Medical benefits:** Include medical treatment, surgery, hospitalization, and medicines. Services provided by designated physicians, clinics, hospitals, and pharmacists.

Maternity services are provided to insured or dependent with no limit on the number of children. No cash benefits for maternity. Insured pays 20% of hospitalization costs and 30% to 55% of outpatient care (55% if provided by the General Hospital, 40% if by regular hospital, and 30% if by a clinic).

Maximum: 500,000 won for each 30-day period for employees in general and their dependents; 1,000,000 won for each 30-day period for government and private-school employees and their dependents, and for the self-employed.

Duration of benefits: 330 days a year per insured person (No limit for the aged, the disabled, pulmonary tubercular patients, or recipients of national merit awards and medals.)

**Dependents' Medical Benefits**

**Medical benefits for dependents:** Same as for insured.

Dependents include spouse, direct lineal ascendants of employee and spouse, direct lineal descendants and their spouses, and brothers and sisters supported chiefly by the insured person.

Funeral grant for both insured workers and dependents: Lump sum payment of 300,000 won for insured person, and 200,000 won for any dependent.

**Administrative Organization**

Ministry of Health and Welfare, general supervision.

National Federation of Medical Insurance, general guidance and support to individual medical insurance societies, review and payment of claims submitted by medical care institutions, and designation and cancellation of medical care service providers. National Health Insurance Corporation: Administration of National Medical Insurance programs for self-employed, government and private school employees; including management of records of

insured workers, collection of contributions from the employee, the self-employed, the employer, and the government (wherever applicable), and verification of medical care provided.

Medical insurance societies (140 in total): Examination of qualifications of insured workers or dependents; collection of contributions, verification of medical care provided.

**Work Injury**

First law: 1953 (employer liability law still applies to workers in industry and commerce not under 1963 law; benefit provisions of two laws similar).

Current law: 1963 as amended through 1997.

Type of program: Compulsory insurance with public carrier.

**Coverage**

Employees of industrial firms with 5 or more workers. Separate system for public employees.

**Source of Funds**

**Insured person:** None.

**Employer:** 0.3% to 31.9% of payroll, according to risk in industry. (Average contribution: 1.65%.)

**Government:** Cost of administration.

**Qualifying Conditions**

**Work-injury benefits:** No minimum qualifying period.

**Temporary Disability Benefits**

**Temporary disability benefit:** 70% of daily average earnings.

Payable after 3-day waiting period for duration of medical care.

Beginning with the 25th month, the more severely disabled have the above benefit replaced by 257-329 days of daily average earnings, depending on the degree of disability.

Minimum benefit: 12,200 won per day. Adjustment: Daily average earnings adjustment according to wage fluctuations.

**Permanent Disability Benefits**

**Permanent disability benefit:** If total disability, annual pension equal to 138-329 days of daily average earnings, or lump sum equal to 55-1,474 days' earnings, according to degree of disability.

Adjustment: Daily average earnings adjustment according to wage fluctuations.

**Workers' Medical Benefits**

**Medical benefits:** Free medical treatment, surgery, hospitalization, medicines, nursing, dental care, appliances, transportation, and rehabilitation.

**Survivor Benefits**

**Survivor benefits:** Lump sum equal to 1,300 days' daily average earnings payable to surviving family, or pension of 52% of annual earnings for 1 person, 57% for two, 62% for three, and 67% for four or more persons.

Adjustment: Daily average earnings adjustment according to wage fluctuations.

Funeral grant: 120 days' daily average earnings.

### **Administrative Organization**

Ministry of Labor, general supervision.

Korea Labor Welfare Corporation pays benefits and collects payroll taxes.